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SUBJECT: PERU GEARING UP TO HOST APEC 2008

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SUMMARY

[1](#)1. (SBU) Organizing the 21-member APEC events presents an enormous challenge for Peru. The GOP recognizes the benefits APEC can bring and is engaged in preparations, but Peru will need substantial help from other APEC members. The GOP already has an active High-Level Organizational Committee led by the First Vice President, as well as a draft schedule of 2008 events that culminate the weekend before Thanksgiving (see para 14). The primary logistical challenges are quality hotel capacity and security in the 11 host cities. The USG and other APEC friends have already begun to pitch in, but we expect additional requests for assistance.

[1](#)2. (U) As host, the GOP's message is that development is the shared responsibility of governments, the private sector, international financial institutions, media, and academia. In addition to recurring APEC priorities, Peru hopes to focus on improving education, bridging the digital divide, bringing more businesses into the formal economy, forging public-private partnerships, fomenting corporate social responsibility, and increasing transparency in government. APEC economies are of increasing importance to Peru, with Peru's exports to APEC growing by 23 percent in 2006 to USD 13.6 billion (58 percent of total exports). In addition to the pending U.S.-Peru Trade Promotion Agreement (PTPA), the GOP has or is seeking trade deals with Chile, Singapore, Canada, Australia, Mexico, and several other Southeast Asian nations. The GOP shares most of our priorities for APEC, and we should help showcase Peru as a democratic, free-market model. End Summary.

IN OVER THEIR HEADS?

[1](#)3. (U) Peru has never hosted an event close to the magnitude of the APEC activities that begin October 2007 and conclude with the summit in November 2008. The logistical challenges are compounded by the GOP's ambitious intention to showcase Peru and increase Peruvians' awareness of APEC by spreading the activities beyond Lima to 10 other provinces. The MFA predicts 15,000 visitors for the APEC events, including 4,000 for the concluding events in Lima, bringing in \$15 million to Peru. Diplomats from other APEC countries have expressed some concern over the likelihood that the GOP will face real resource and logistical problems hosting these events.

ROOM AT THE POSADA?

14. (U) A primary concern is that the host cities will not have the necessary quality hotel capacity to welcome the thousands of government, business, academic, and media visitors. Early reservations will be crucial for every APEC event. The GOP has not yet decided whether it or a contractor will control reservations, or whether it will simply issue a list of recommended hotels and let delegations fend for themselves. November, the month selected for the capstone events, is the peak month in terms of hotel occupancy rates in Lima. Not wanting to harm their bread-and-butter regular customers, Lima's best hotels are already developing contingency plans, including advising customers to reschedule trips and renting Lima apartments to accommodate overflows.

GOP ENGAGED AND AHEAD OF SCHEDULE  
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15. (U) The good news is that GOP officials seem to have recognized that a concerted national effort is needed to pull this off successfully, and preparatory work is already underway in several key areas. On January 25, the Prime Minister presented a "High-Level APEC Organizational Committee" presided by First Vice President Luis Giampietri (who substituted for President Garcia at the APEC summit in Vietnam), and composed of the Foreign, Trade/ Tourism, and Economy/ Finance Ministers. There is also an APEC Executive Committee headed by Vice Foreign Minister Gonzalo Gutierrez, a Business Advisory Council and a CEO Summit organizational team. Luis Quesada (former DCM in Washington, most recently at APEC Secretariat in Singapore) is now the GOP's Senior Official for APEC, as Ambassador Juan Carlos Capunay is moving to Singapore to prepare for his role as Executive Director of APEC in 2008.

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16. (U) The APEC organizers have reached out to the regional governments in host cities and to an array of chambers of commerce. The GOP began working on English training for key bureaucrats as well as for tourism and transport providers a year ago. The GOP has completed its hotel assessment, named its senior organizational team, and set the dates for the 2008 events well ahead of many previous APEC hosts.

BRING IN THE NAVY!  
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17. (SBU) Simultaneously providing security for the 21 leaders, not to mention ministers and other delegates, will also be a major challenge for the GOP. The Peruvian National Police (PNP) has been working on plans and training for the APEC events since November 2006. At the GOP's request, the State Department, through DS/ATA, is providing two training seminars for a total of 75 police in February 2007. In addition to the police, we are told the Peruvian Navy will likely play a key security role. Vice President Giampietri is a retired admiral, and his key assistants include navy personnel. The GOP is likely to request additional USG security training for non-police event organizers, and perhaps for the Navy.

FRIENDS LENDING A HAND  
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18. (U) Peru's APEC friends have already begun to offer help. For example, New Zealand is providing English-language training and Canada is training MFA personnel on APEC topics. In addition to USG-provided security assistance, the State Department is planning on providing a speaker on US-Asia relations for the November 2007 symposium launching APEC in Peru, and the U.S. Department of Education is considering organizing a seminar on 21st century human resource skills, focused on English and information technology for 2008. USDA has offered to organize a Food Defense Workshop in Peru for May 2007, but the MFA has not identified such an event as a

priority. Post is actively engaged with the GOP's APEC team and with Washington offices to determine what other assistance the USG might provide.

THEMES: DEVELOPMENT, EDUCATION  
AND COMPASSIONATE COMMERCE  
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¶9. (U) Peru has already selected "A New Commitment for Asia-Pacific Development" as the theme for APEC 2008, and the logos are ready. As part of this theme, the GOP plans to stress that development is not only the task of governments, but a shared responsibility with the private sector, international financial institutions, media, and academia. In addition to APEC priorities of free trade (including Doha and an eventual East Asia Pacific Trade Agreement), counterterrorism, technical cooperation, and energy, Peru hopes to focus on "the social dimension." These issues, high on the Garcia Administration's domestic agenda, include: improving education, bridging the digital divide, bringing more businesses into the formal economy, forging public-private partnerships, enhancing corporate social responsibility, and increasing transparency in government.

¶10. (U) The Small and Medium Enterprise Ministerial promises to be especially interesting, as the active Production Ministry is in charge of the event and is already working with the energetic regional president to ensure that APEC leaves a positive mark in host city Chiclayo (in northern Peru). The GOP hopes to enlist private sector assistance in transforming Chiclayo into a more important commercial hub and Peru's first "digital city," linking together the local and regional governments, a modern university, a new commercial zone, and the downtown area through a broadband network. The focus of the ministerial will be on obtaining business licenses.

APEC REFORM  
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¶11. (SBU) Regarding APEC reform, an MFA official told us that the GOP had opposed the creation of a permanent Secretary General post because it did not want to give up the

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chance to lead APEC in 2008. After striking a deal in Australia whereby any such reforms would take place after 2008, the GOP is now neutral on the subject. On APEC expansion, Peru feels strongly that any new Asian members must be counterbalanced by new Latin members. Peru is very

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supportive of Colombia's desire to join APEC, and may use its hosting in 2008 to support Colombia's participation as an associate member of the Pacific Economic Cooperation Council (PECC) or as an observer in some APEC meetings. See Ref B for the GOP's views on this and other APEC priorities.

EXPORTS TO APEC GROW  
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¶12. (U) Improved political and economic relations with the APEC countries are a Garcia Administration priority. Peru exports to all of the 20 other APEC member economies, and 5 (the U.S., China, Canada, Chile, and Japan) are among Peru's top 6 export destinations. Peru's exports of goods to APEC members grew by 23 percent in 2006 to USD 13.6 billion (58 percent of total exports). Excluding the U.S., exports to APEC increased by more than 42 percent to USD 8.2 billion. Exports to China (excluding Hong Kong), Peru's number two market after the U.S., increased from USD 1.87 billion to USD 2.27 billion. 2006 exports to Japan (USD 1.23 billion), South Korea (USD 545 million), Thailand (USD 65 million), and the Philippines (USD 45 million) were more than double 2005 totals. See Ref A for additional Peruvian export information.

¶13. (U) Peru expanded its partial trade agreement with Chile in 2006, and a full agreement with the U.S. is pending approval by the U.S. Congress. Free trade negotiations with Singapore are well underway, and the GOP is seeking deals with other Southeast Asian nations, Canada, Australia, and Mexico.

#### CALENDAR OF EVENTS

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¶14. (SBU) Following is the latest draft information we have on upcoming APEC-related events in Peru. Some of these dates/events have not been publicly announced.

DATE, CITY  
EVENT

2007

Feb 19-24, Lima  
2 DS/ATA Security Training Seminars for 75 Peruvian Police

End Oct, Lima  
2nd Regional Anti-Corruption/Transparency Conference

Nov, Lima  
Symposium to Launch APEC '08 (State to provide one speaker)

2008

Feb 8-10, Tacna  
APEC Women Leaders (Gender Focal Point Network)

(t)Feb, Lima/Callao  
(t)Customs Working Group

Feb 11-24, Lima  
Senior Officials' Meeting (SOM) I

Feb 25-26, Iquitos  
Security in APEC Trade (STAR)

Apr 9-11, Cusco  
APEC Tourism Ministerial

May 19-28, Arequipa  
SOM II

May 30-31, Arequipa  
APEC Trade Ministerial (MRT)

Jun 9-11, Puno  
International Assembly of Asia-Pacific Youth (APEC 2008 Youth Camp)

(t)Jun, Ica  
(t)Education Ministerial  
(t)Seminar on Workplace Skills (English & IT, sponsored by US Dept of Education)

Jun 19/20, Tumbes/Piura  
APEC Academic Centers Network (Study Centers Consortium)

Aug 18-19, Piura

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APEC Business Forum on Marine Resources

Aug 31-Sep 2, Chiclayo  
APEC Small and Medium Enterprises (SME) Ministerial

Sep 3-14, Chiclayo  
SOM III

Sep 29-30, Trujillo  
APEC Finance Ministerial

(t)Oct, Lima/Ica  
(t)APEC Health Ministerial

Nov 16-17, Lima  
Final SOM IV

Nov 18-20, Lima  
APEC Business Advisory Council (ABAC) Concluding Meeting

Nov 19-20, Lima  
APEC Foreign and Trade Ministerial

Nov 21-23, Lima  
APEC CEO Summit

Nov 22-23, Lima  
XVI Summit of Asia-Pacific Leaders

COMMENT: U.S. ALLY PERU'S ONE CHANCE TO SHINE  
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¶15. (SBU) The GOP is eagerly anticipating that this event will help focus the world's attention on an economically vibrant Peru. Yet despite the country's strong macroeconomic performance over the past five years, the GOP will need considerable assistance for this event. Peru is one of our closest allies in South America. Beyond our pending U.S.-Peru Trade Promotion Agreement (PTPA), Peru sees eye-to-eye with us on almost every APEC issue. The Garcia Administration has made a policy commitment to combat poverty through increased opportunity for trade. APEC 2008 will help showcase Peru as an attractive alternative to more radical, anti-market approaches in the region. We can use the opportunity provided by Peru's hosting of APEC in 2008 to advance our own APEC agenda, collaborate on opening Asian markets, and strengthen the pro-market governments of the Western Hemisphere's Pacific Coast.  
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